Section 3
Key Trends by Market Segment

This section describes key market trends for each market segment in more detail, beginning with the current balance between supply and demand.

Supply and Demand Balance

As in any commodity market, the balance between supply and demand for waste tires, TDM and TDPs is constantly in flux, influencing pricing, competitive pressures, and generally, the profitability and resiliency of firms operating in the market. This section addresses two fairly distinct sets of supply-and-demand issues related to scrap tire recycling: those involving whole tires, and those involving tire-derived materials used to make products. Shifts in these supply-demand dynamics directly influence the ability to increase recycling and diversion levels.

Supply and Demand for Whole Tires

Research for this report included analyzing 2015 waste tire deliveries to, and TDM/TDP shipments from, 15 processors serving a variety of recycling, diversion, and disposal markets, and six balers set up mainly to export baled waste tires only. To varying degrees, these firms, along with haulers that supply tires to them or deliver whole/used tires elsewhere, compete for the limited supply of California waste tires and the associated collection fee revenues.

Beginning in 2009 a rapid rise in exports of baled waste tires from California to Asian nations severely disrupted the supply-demand balance for whole waste tires. This trend was analyzed in detail in the 2011 California Waste Tire Market Report[4] and reached a peak in 2012. In brief, balers are relatively simple operations with low capital requirements (and in some cases have operated without permits). When pricing is favorable, balers can rapidly ramp up and compete aggressively to secure collection accounts. This in turn can reduce access to supply and lower collection-related revenues of established processors, which operate under a much different business model than that of the balers. When pricing of exported waste tire bales is not favorable, as in much of 2015 and early 2016, baler volumes can decline rapidly, and balers may have difficulty moving collected tires stored at their facilities. Baler-related disruptions have stabilized to a degree over the past year or two as a result of reduced pricing. Concurrently, waste tire collection revenues for established processors have reportedly rebounded to an extent, especially in Northern California. However, baled volumes are still significant (more than 2.8 million PTEs in 2015), and baling operations continue to ramp up, ramp down, and/or shift locations unpredictably, with reports of renewed strong pricing and activity in late spring 2016.

[4] Available online at: http://www.calrecycle.ca.gov/publications/Detail.aspx?PublicationID=1425.